

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 02 February 2015

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2015/16</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Finance Strategy
<b>Corporate Objective:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report seeks final confirmation of the recommendations to Council, on 20 February 2015, in respect of the revenue budget, capital programme and council tax for 2015/16.

#### **Executive summary:**

On 5 January 2015, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the capital programme, revenue budgets and the council tax for 2015/16. This report updates the Council's budgets to reflect the decisions taken on 5 January 2015.

The capital programme for the years 2014/15 to 2018/19 will be £33,176,000.

The revenue budget for 2015/16 will be £9,174,600. With Central Government support and retained business rates estimated to be £3,199,732, the option of accepting additional council tax freeze grant for 2015/16 equating to £61,695 and use of collection fund balance of £75,786 this results in the total amount due from the council tax of £5,837,387.

Taking these changes into consideration, the council tax for 2015/16 will be £140.22 per Band D property and would mean that Fareham's element of the Council Tax will have remained unchanged for 7 years. This represents no increase from the council tax set for 2014/15, compares favourably to the current rate of inflation and complies with the Council's corporate objectives.

**Recommendation:**

That the following proposals be approved by the Executive and recommended to the special meeting of the Council to be held on 20 February 2015:

- (a) the capital programme and financing of £33,176,000;
- (b) an overall revised revenue budget for 2014/15 of £9,516,100;
- (c) a revenue budget for 2015/16 of £9,174,600; and
- (d) a council tax for Fareham Borough Council for 2015/16 of £140.22 per band D property, which represents no increase when compared to the current year.

**Reason:**

To allow the Council to approve the Council Tax for 2015/16.

**Cost of proposals:**

Not applicable.

**Appendices:**

**A: Revenue Budget Summary 2014/15 and 2015/16**

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

**Date:** 02 February 2015

**Subject:** Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2015/16

**Briefing by:** Director of Finance and Resources

**Portfolio:** Policy and Resources

#### INTRODUCTION

1. On 5 January 2015 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The capital programme for 2014/15 to 2018/19;
  - The revised revenue budget for 2014/15;
  - The revenue budget for 2015/16; and
  - The council tax for 2015/16.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues.

#### THE CAPITAL PROGRAMME 2014/15 TO 2018/19

3. The capital programme for the period 2014/15 to 2018/19 is £33,176,000 as shown in the following tables:

	<b>£000s</b>
Public Protection	429
Streetscene	629
Leisure and Community	12,555
Health and Housing	2,782
Planning and Development	922
Policy and Resources	15,859
<b>TOTAL</b>	<b>33,176</b>

	<b>£000s</b>
2014/15	15,720
2015/16	11,228
2016/17	2,124
2017/18	1,035
2018/19	1,035
Unallocated	2,034
<b>TOTAL</b>	<b>33,176</b>

4. It is anticipated that the programme will be financed from the following sources:

	<b>£000s</b>
Capital Fund Account	7,352
Capital Receipts	6,601
External Contributions	3,261
Major Repairs and Renewals Reserve	302
Matched Funding Reserve	133
Revenue Contribution to Capital schemes	60
<b>TOTAL</b>	<b>17,709</b>

5. In addition, the following resources are anticipated to be available between 2014/15 and 2018/19:

	<b>£000s</b>
External Contributions	4,703
Revenue Contribution to Capital schemes	3,918
Borrowing	2,965
Contribution to Capital Fund Account	2,500
Capital Receipts	1,635
Government Grants	1,344
<b>TOTAL</b>	<b>17,065</b>

6. The programme and projected resources indicate that, by 31 March 2019, there would be a surplus of capital resources of £1,598,000, which represents a contingency of 4.8% on the overall capital programme.
7. Importantly, the surplus assumes an estimate of future capital receipts as well as continued revenue contributions towards capital investment, totalling £6.4m. In the event that these resources do not materialise, the surplus will be reduced.
8. Spending pressures in this respect include refurbishment/replacement works to some Council assets (for example community centres and the Osborn Road multi-storey car park) that have yet to be added to the capital programme. Therefore, no further use of the forward-balance is proposed and further replenishment of capital resources will be sought, (e.g. through use of revenue underspends).

## **SPENDING RESERVE**

9. The spending reserve currently stands at £2,273,000 which is 5% of gross expenditure for 2014/15 which represents the minimum required balance as set

out in the approved Medium Term Finance Strategy.

10. At the meeting on 5 January 2015 the Executive agreed to use the £573,500 that was in excess of the minimum balance to support the capital programme.

### **REVISED BUDGET 2014/15**

11. In January, the Executive considered in detail the revised budget for 2014/15, which totalled £9,516,100 and is no change when compared to the base budget for the year.

### **SERVICE BUDGETS 2015/16**

12. The following paragraphs of this report indicate the changes to the service budgets resulting from the decisions of the Executive on 5 January 2015.

#### **Planning Committee**

13. There were no changes to this committee which confirms the budget total as £753,000.

#### **Licensing and Regulatory Affairs Committee**

14. No changes were made to this Committee's budget, confirming the total as £490,200.

#### **Leisure and Community Portfolio**

15. No changes were made to the portfolio budget, which is now confirmed to be £2,112,600.

#### **Health and Housing Portfolio**

16. No changes were made to this portfolio's budget, confirming the total as £1,215,000.

#### **Planning and Development Portfolio**

17. There were no changes made to the portfolio budget, which is now confirmed to be -£1,001,900.

#### **Policy and Resources Portfolio**

18. There were no changes made to the portfolio budget, which will now be confirmed as £1,463,400.

#### **Public Protection Portfolio**

19. There were no changes made to the portfolio budget, which is now confirmed to be £2,293,800.

#### **Streetscene Portfolio**

20. There were no changes made to the portfolio budget, which is now confirmed to be £4,447,000.

### **OTHER BUDGETS 2015/16**

21. Since the January Executive report was prepared further information has been released regarding Central Government Support. As a result of this change the Other Budgets total will be -£2,598,500.

## THE OVERALL BUDGET POSITION FOR 2015/16

22. Taking account of the various changes referred to in the preceding paragraphs, the overall total budget for 2015/16, detailed in Appendix A, is confirmed as £9,174,600. This total is £341,500 below the base budget for 2014/15 of £9,516,100.

## GOVERNMENT SUPPORT

23. The amount of government support that the Council expects to receive in 2015/16 is summarised in the following table:

	2014/15	2015/16
	£	£
Core Funding	3,365,814	2,872,567
Individual grants now included in core funding (homelessness prevention)	56,291	56,074
Council Tax Freeze Grant (2011/12)	149,351	148,782
Council Tax Freeze Grant (2013/14 & 2014/15)	127,340	122,309
<b>TOTAL</b>	<b>3,708,796</b>	<b>3,199,732</b>

24. This finance settlement core funding represents a cash reduction of 13.7% when compared to 2014/15.
25. With further cash reductions predicted for 2016/17, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its high corporate priority of council tax increases at or below the rate of inflation.

## COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE

26. The revised council tax base for 2014/15 is 40,974 Band D equivalent properties which is the same as the original estimate.
27. The council tax base for 2015/16 is 41,630 Band D equivalent properties.
28. The net rates payable from National Non-Domestic Rates for 2014/15 (after Transitional arrangements and reliefs) is £42,856,496.

## COUNCIL TAX FOR 2015/16

29. With a net budget for 2015/16 of £9,174,600 and government support of £3,261,427 (including the option of additional freeze grant for 2015/16 of £61,695) and the use of collection fund balances of £75,786, the Executive is able to recommend no council tax increase for 2015/16, as compared to the current rate of inflation of 2.0% (this is the published RPIX inflation rate for November 2014). This is shown in the following table:

	<b>Base Budget 2014/15</b>	<b>Base Budget 2015/16</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Budget</b>	<b>9,516,100</b>	<b>9,174,600</b>	<b>-341,500</b>
Less:			
Government Support	3,709,301	3,199,732	-509,569
Use of Collection Fund surplus	0	75,786	+75,786
Council Tax Freeze Grant	61,425	61,695	+270
<b>Total due from Council Tax Payers</b>	<b>5,745,374</b>	<b>5,837,387</b>	<b>+92,013</b>
Council Tax base	40,974	41,630	
Council Tax	£140.22	£140.22	
Cash Increase	+ £0.00	+ £0.00	
Percentage Increase	+ 0.00%	+ 0.00%	

30. Fareham's element of the council tax has remained at £140.22 since April 2009. Since that date RPIX has increased by 21.8% (to November 2014). Had Fareham's council tax increased in line with RPIX it would now stand at £170.79 which is £30.57 above the current level.

#### **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

31. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
32. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
33. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 5% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

#### **RISK ASSESSMENT**

34. While all spending plans can be met from within existing resources, continuing financial pressures increase the risk that spending plans exceed desirable levels.
35. Also, the budget reflects the implications of the changing economic situation. However, these changes will continue to affect the Council's finances. It is

therefore very important to retain sufficient balances to cater for the unexpected in these uncertain times.

36. Finally, the largest risk in the budget setting remains changes to Central Government Funding and reliance on government policy keeping damping measures in place.

## **CONCLUSION**

37. In making a recommendation to full Council on the council tax for 2015/16, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources and the projected financial position in the future; not just the overall budget position for next year.

**Reference Papers:** None

## REVENUE BUDGET SUMMARY REVISED 2014/15 and BASE 2015/16

	Budget 2014/15 £	Revised 2014/15 £	Variation Base to Rev £	Budget 2015/16 £	Variation Base to base £
Committees					
Planning Committee	793,400	801,800	8,400	753,000	-40,400
Licensing and Regulatory Affairs Committee	503,400	497,200	-6,200	490,200	-13,200
Executive - Portfolio Budgets					
- Leisure and Community	2,278,700	2,257,100	-21,600	2,112,600	-166,100
- Health and Housing	1,210,300	1,322,100	111,800	1,215,000	4,700
- Planning and Development	-537,600	-610,300	-72,700	-1,001,900	-464,300
- Policy and Resources	1,950,100	1,755,600	-194,500	1,463,400	-486,700
- Public Protection	2,455,400	2,417,400	-38,000	2,293,800	-161,600
- Streetscene	4,373,700	4,517,800	144,100	4,447,000	73,300
<b>SERVICE BUDGETS</b>	<b>13,027,400</b>	<b>12,958,700</b>	<b>-68,700</b>	<b>11,773,100</b>	<b>-1,254,300</b>
Capital Charges	-2,152,200	-1,983,000	169,200	-1,983,000	169,200
Capital Financing Costs					
- Use of Housing Capital Receipts	-230,000	-334,000	-104,000	-230,000	0
- Direct Revenue Funding	1,301,000	1,301,000	0	1,301,000	0
- Direct Revenue Funding NHB	897,900	897,900	0	897,900	0
Interest on Balances	-676,900	-706,900	-30,000	-599,900	77,000
Portchester Crematorium	-150,000	-150,000	0	-125,000	25,000
New Homes Bonus	-1,416,000	-1,421,800	-5,800	-1,648,000	-232,000
Contribution to(+)/from(-) Reserves	-1,085,100	-1,045,800	39,300	-211,500	873,600
<b>OTHER BUDGETS</b>	<b>-3,511,300</b>	<b>-3,442,600</b>	<b>68,700</b>	<b>-2,598,500</b>	<b>912,800</b>
<b>BUDGET TOTAL</b>	<b>9,516,100</b>	<b>9,516,100</b>		<b>9,174,600</b>	<b>-341,500</b>
<b>NET BUDGET</b>	<b>9,516,100</b>	<b>9,516,100</b>		<b>9,174,600</b>	<b>-341,500</b>

	<b>Budget 2014/15 £</b>	<b>Budget 2015/16 £</b>
<b>NET BUDGET</b>	<b>9,516,100</b>	<b>9,174,600</b>
<b>EXTERNAL SUPPORT</b>		
Non-Domestic Rates	1,717,625	1,750,446
Revenue Support Grant	1,991,676	1,449,286
Council Tax Freeze Grant	61,425	61,695
	<u><b>3,770,726</b></u>	<u><b>3,261,427</b></u>
 USE OF COLLECTION FUND BALANCE	 0	 75,786
<b>NET AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	<b>5,745,374</b>	<b>5,837,387</b>
 <b>COUNCIL TAX BASE</b>	 <b>40,974</b>	 <b>41,630</b>
 <b>COUNCIL TAX PER BAND D PROPERTY (ROUNDED)</b>	 <b>£140.22</b>	 <b>£140.22</b>
 <b>CASH INCREASE</b>	 <b>£0.00</b>	 <b>£0.00</b>
 <b>PERCENTAGE INCREASE</b>	 <b>0.00%</b>	 <b>0.00%</b>